



U.S. Department of Energy Contract and Project Management Corrective Action Plan (CAP) UPDATE

Brief to DOE Procurement Directors

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Outline of Presentation

- **Background**
 - GAO High-Risk List
 - Root Cause Analysis (RCA) and Corrective Action Plan (CAP)
- **Current Status of RCA / CAP Initiatives**
 - Change Management
 - PM vs CM – MR and Contingency
 - PARS-II
 - EVMS
- **Deputy Secretary PM Policies**
- **Final Thoughts and “Take-Aways”**
- **Questions / Comments / Discussion**



GAO High Risk List

- Why are we on “The List”? What’s the Problem?
- **Since 1990, DOE’s record of:**
 - Inadequate (Federal) Management
 - Inadequate (Federal) Oversight
 - Failure to Hold Contractors Accountable
 - Non-Compliance with Departmental Policies



HEWD Direction

Congressional Direction:

- “The Committee directs the Department *to work with GAO* and develop an action plan with concrete steps and schedule milestones whose implementation will result in DOE contract and project management being removed from the GAO High-Risk List as soon as possible.”

(HEWD Appropriations Report, June 11, 2007)

High-Risk List:

Department of Energy Contract Management

Criteria Agencies Must Meet Before High-Risk Designations Can Be Removed	DOE Has	
	Met Criteria	Not Yet Met Criteria
Demonstrate strong commitment and leadership	<input checked="" type="checkbox"/>	
Demonstrate progress in implementing corrective measures	<input checked="" type="checkbox"/>	
Develop a corrective action plan that identifies root causes, effective solutions, and a near-term plan for implementing the solutions	<input checked="" type="checkbox"/>	
Have the capacity (people and resources) to resolve the problems		<input checked="" type="checkbox"/>
Monitor and independently validate the effectiveness and sustainability of corrective measures		<input checked="" type="checkbox"/>



Project and Portfolio Metrics

Project and Portfolio Success

How Will We Define Success?

- **Project Success: (For Capital Asset Projects)**
 - Project completed within the **ORIGINAL** approved scope baseline, and within 10% of the **ORIGINAL** approved cost baseline at project completion (Critical Decision-4), unless otherwise impacted by a directed change.
- **Portfolio Success:**
 - Ninety percent (90%) of all projects meet project success criteria.



Project Success

SCOPE – COST – SCHEDULE

	<u>SCOPE</u>	<u>COST</u>	<u>SCHEDULE</u>
CONGRESS		\$\$\$	
TAXPAYER		\$\$\$	
PROGRAM	?	?	?
END-USER	!!!		
CONTRACTOR	?	?	?
FAC. MGMT.	!!!		



Big Three “Measures of Success”

Performance Metrics	FY 08 Target	FY 09 Target	FY 10 Target	FY 11 Target	FY 12 Target
Capital Asset Line Item Projects: Complete Original scope baseline within 10% of Original CD-2 cost baseline	75%	80%	85%	90%	90%
EM Cleanup Projects: Complete Original scope baseline within 10% of Original CD-2 cost baseline	--	--	70%	80%	90%
Certified EVMS: For projects post CD-3: Utilize OECM certified EVMS systems for projects over \$50 M, and Contractor self certified systems for projects between \$20 M and \$50 M	65% LI* 55% EMC	85% LI 65% EMC	90% LI 75% EMC	95% LI 85% EMC	95% LI 95% EMC

*Line Item



RCA/CAP Initiatives and Accomplishments

- **Issue #1: Project Front-End Planning**
 - Distinguished program from project management
 - Piloted on Environmental Management (EM) American Recovery and Reinvestment Act (ARRA) projects
 - Restructuring EM projects having mix of capital asset and operational activities
 - Segmenting large projects into smaller, more manageable projects
 - Largest new NNSA projects (UPF and CMRR) will be segmented
 - Developed Project Definition Rating Index (PDRI) tool
 - Ensured consistent, sufficient level of project front-end planning
 - Completed draft PDRI Guide; under review in RevCom
 - Published Technical Readiness Assessment (TRA) Guide
 - Ensured maturity of technology is ready for project design/execution



RCA/CAP Initiatives and Accomplishments

- **Issue #2: Federal Contract/Project Management Workforce**
 - Created Departmental staffing model - incorporated EFCOG and NLDC input
 - Programs instituting Program-specific staffing reviews and or models
 - Exporting Science's "Peer Reviews" – best practice across the complex
- **Issue #3: Project Risk Assessment, Communication, and Management**
 - Provided risk management tools; posted on OECD website
 - Developed contingency and management reserve protocol
 - Overhauling risk management training
- **Issue #4: Budget Profiles and Project Cost Baselines**
 - Full Funding Policy for Small Projects (\$20M now, to \$50M by 2013)
 - Acquisition Executive approval on proposed project funding profiles and changes
 - Programmatic "Project Affordability" across multiple Fiscal Years



RCA/CAP Initiatives and Accomplishments

- **Issue #5: Independent Government Cost Estimates**
 - Stood-up Office of Cost Analysis
 - Developed and implemented cost analysis training courses
 - DOE Escalation Rates – quarterly reviews & annual update
 - Development of Historical Cost Database underway – four EM and one NNSA project(s)
 - Draft Cost Estimating (DOE O 415.x) entered RevCom in April
- **Issue #6: Acquisition Strategies and Plans**
 - Recommended improvements to Departmental Orders and Guides better integrating contract and project management – developing change management guide
 - Conducting benchmark study of other agency environmental cleanup acquisition strategies
 - NNSA developing a new construction management services contract



RCA/CAP Initiatives and Accomplishments

- **Issue #7: Project Oversight and Management**
 - Project Assessment and Reporting System (PARS-II) - consistent, transparent, reliable, and verifiable data to all levels of management
 - Piloted Lessons Learned (LL) Program (ProjNet and DOE Corporate LL System)
 - Providing knowledge and information garnered from past projects
 - Exported Science best business practice “peer review” process across Department
 - Conducting project management best practices benchmark study
 - EVMS Certification and Surveillance
- **Issue #8: Project Management Requirements**
 - Draft Revised DOE Order 413.3B entered RevCom in April
 - Providing critical updates to program/project management guidance
 - Addressed over 750 comments on early draft



PM vs. CM - MR and Contingency

- Interpretation/application different between disciplines
- Project terminology - Contingency and MR identify budgeted resources for risks owned by government and contractor, respectively
 - ***Contingency** - portion of project budget available for risk uncertainty within project scope, but held outside contract budget. Part of TPC and government's baseline, but not contractor's baseline. Used to manage both cost and schedule risk events resulting from, but not limited to, government actions, changed requirements, program and project assumptions, delays in government-furnished services, equipment, and items, and other influences outside contractor's control. Contingency is held by DOE for project risks owned by DOE and whose obligation onto the contract vehicle typically should not occur without determining impact on contract and project. Where a legitimate change to contract required, project personnel must coordinate with CO to identify and negotiate the change and modify contract. CO will only modify the contract after contractor's proposed costs have been fully reviewed and analyzed, and is satisfied that negotiation has resulted in fair and reasonable price*
 - ***Management reserve** - amount of total contract budget withheld for management control by contractor for risk uncertainty within project scope that is within scope of contract. Should be risk-based. Contractor shall use MR in accordance with ANSI/EIA-748. Contractor must report use of MR in monthly project performance reports.*

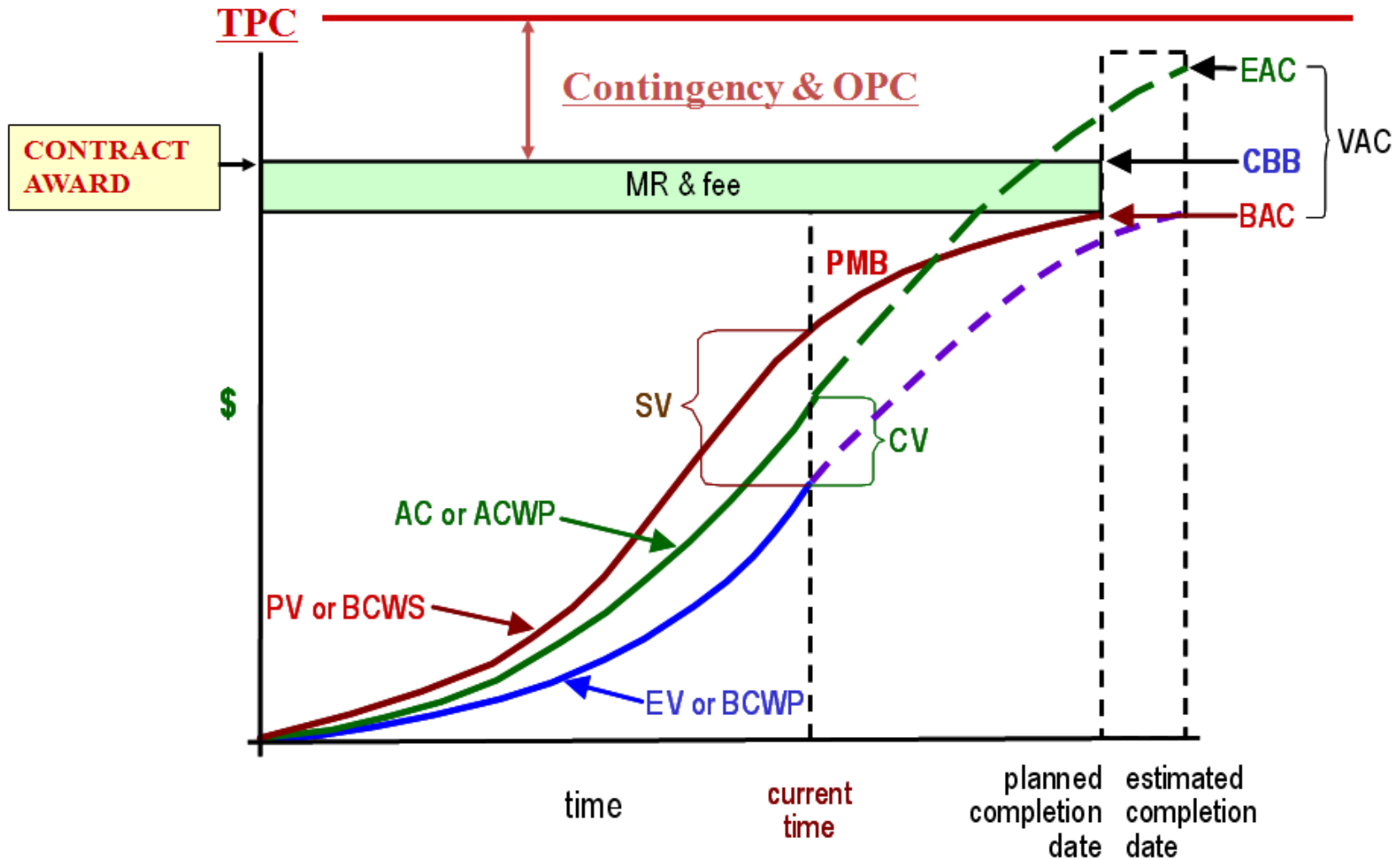


PM vs. CM - MR and Contingency

- **Contract terminology - MR/Contingency Not Part of Contract Cost**
 - Contract terms establish risks borne by contractor
 - Budget for contractor's risks expected to be included in price
 - Used to mitigate costs associated with contractor execution risks
 - FAR does allow contractors to price in specific contingencies
 - Escalation for out-year prices, anticipated costs of rejects, etc.
 - FAR 31.205-7 - Contingencies of this category are to be included in the estimates of future costs so as to provide the best estimate of performance cost.”
 - Tied to specific work scope and proposed as standard cost elements
 - Contract price not call out separate budget for MR
 - Uncertainties within contract scope expected to be included in contractor price
- **Management reserve carved out after contract value negotiated**



PM vs. CM - MR and Contingency





EVMS Stats

	<u>FY09</u>		<u>FY10</u>	
<u>RCA/CAP</u>	<u>Goal</u>	<u>Actual</u>	<u>Goal</u>	<u>Actual</u>
Line Item	85%	86% (38/44)	90%	98% (43/44)
Clean Up	65%	67% (29/43)	75%	83% (30/36)



EVMS Clauses in FAR

- **FAR Subpart 34.2**
- **FAR 34.203 -- Solicitation provisions and contract clause.**
- **52.234-2, 52.234-3, and 52.234-4**
 - Reference to Pre-Award or Post-Award Integrated Baseline Review (IBR) in solicitations for contracts that require the contractor to use an Earned Value Management System (EVMS)
 - Contractor shall use an EVMS that has been determined to be compliant with ANSI/EIA-748 (current version) to manage the contract.
 - Offeror shall provide documentation that the Cognizant Federal Agency (in this case DOE/OECM) has determined that the proposed EVMS complies with the EVMS guidelines in ANSI/EIA Standard-748 (current version).
 - If the contractor's EVMS has not been determined compliant at the time of award, contractor shall apply the current system to the contract and take necessary actions to meet the milestones in the contractor's EVMS plan approved by the Contracting Officer.



Deputy Secretary PM Policies

- **Design maturity**
 - Sufficient design prior to establishing performance baseline
- **Project Size and Structure**
 - Break larger projects into smaller, discrete projects
- **Project Staffing**
 - Sufficient qualified staff (including contractors)
- **Funding Stability**
 - Affordable and executable within program's budget



Deputy Secretary PM Policies

- **Project Peer Reviews**
 - Once a year for large or high visibility projects – more frequently for complex and challenging projects
- **Project Management Information**
 - PARS central repository for key project information
- **Improving Cost Estimates**
 - ICE prior to CD-1 and CD-2 for major projects
 - ICE at CD-3, if warranted (risk, performance, or as requested)



Final Thoughts

- NO LONGER “BUSINESS AS USUAL”
 - CHANGE IS NOT EASY – ESPECIALLY ORGANIZATIONAL CULTURE
- MUCH MORE WORK REMAINS
 - THE HARD PART: IMPLEMENTATION!
- WE MUST REBUILD OUR CREDIBILITY



Take-Aways:

- **Change Management**: New guide being developed – ensure alignment of project scope to contract scope and terms/conditions over the life of the contract
- **MR and Contingency**: Distinction between CM and PM
- **PARS-II**: Contractors expected to upload EVMS data – evaluate additions and deletions if contract change required
- **EVMS**: Not an option – FAR Clauses should be in contracts

PROJECT EXECUTION MUST SHOW CONSISTENT UPWARD TREND OVER-TIME

PROJECT STATS: MUST BE ACCURATE, CONSISTENT AND AUDITABLE



QUESTIONS / COMMENTS